

Testimony Supporting S.B. 258: *AAC An Increase in the Maximum Allowable  
Unemployment Compensation Trust Fund Balance*

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Labor and Public Employees Committee  
March 8, 2012

Senator Prague, Representative Zalaski, and distinguished members of the Committee:

My name is Matt Santacroce, Policy Fellow at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. I am here today to testify in support of S.B. 258, *An Act Concerning an Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance*.

This legislation would take an important step towards remedying one of several structural flaws in Connecticut's UI financing system. Federal labor officials generally recommend that state trust funds maintain an AHCM of 1.0. Trust funds with this level of savings will ensure that the state has enough money in the bank to pay out one year of UI benefits during a recession of historically average severity. The average high-cost multiple (AHCM) is a commonly-used measure of trust fund solvency, using a state's past performance to assess the adequacy of current reserves by comparing trust-fund savings to historically high UI benefit payout levels in previous recessions.

Currently, Connecticut law sets a trust-fund reserve goal that is equal to or greater than 0.8 percent of total wages paid by taxable employers in a given year. This "reserve ratio" system allowed the UI trust fund to remain relatively solvent through much of the previous decade, with counter-cyclical increases in the fund balance tax rate used to recoup drawdowns on the trust fund in times of higher-than-normal unemployment – but left Connecticut ill-equipped to withstand the unprecedented unemployment spurred by the Great Recession.

**The AHCM reserve goal provides a more realistic measure of potential liability – and would prepare Connecticut, at least in part, for future large-scale, recession-related drawdowns.** Indeed, only 17 states entered the most recent recession with an AHCM at or above 1.0. Of these seventeen states, all but four were debt-free in the third quarter of 2011. And of these four states, three – Florida, Arizona, and Nevada – withstood the very worst of the foreclosure crisis. In contrast, of the 33 states that entered the recession with less than a year's savings accumulated, 24 – Connecticut among them – have had to borrow from the federal government to stay current on UI payments. **Phasing in an AHCM goal of 1.0 is a common sense fix that would leave us better prepared for future spikes in unemployment.**

However, this reform as a standalone measure fails to address a root cause of Connecticut's current trust-fund insolvency. Critically, Connecticut's capacity to accumulate adequate trust fund reserves is severely limited due to a taxable wage base that has been frozen since 1999. Generally speaking, UI benefits are paid out as a percentage of a worker's wages – so as wages in Connecticut increased over the past decade, so too did our state's liability to potential UI claimants. However, the amount of each employee's wages that can be subjected to state UI tax has been capped at \$15,000 since

1999. As a result, employer-paid UI taxes in Connecticut are severely misaligned with the wages they are meant to replace – a situation that left us unprepared for the worst economic downturn in a lifetime.

In sum, it is essential that Connecticut take comprehensive action to fix the way it funds unemployment insurance. By linking employer contribution requirements to the rate of wage growth in Connecticut – something seventeen states, including Rhode Island and New Jersey, currently do – the UI system would be funded at a rate that reflects the realities of our state's economy. Moreover, these common-sense reforms would reaffirm our commitment to a dependable, affordable UI system for all workers – not just those currently out of a job. Employers and state government must be equal partners in restoring solvency and stability to a work support that provides security to so many in Connecticut.

Thank you for the opportunity to testify today. For further information, Voices has released a full-length issue brief on the unemployment compensation trust fund that provides in-depth analysis of these points. The brief is attached to this testimony, and is also available on our website, [www.ctkidslink.org](http://www.ctkidslink.org).

I look forward to your questions.

# CONNECTICUT VOICES FOR CHILDREN



## Connecticut's Unemployment Insurance Trust Fund: A Splintering Work Support

Matt Santacroce

January 2012

The state-federal unemployment insurance (UI) system is a critical support for the unemployed. Created in 1935, the UI system is a form of social insurance – contributions are paid into the system on behalf of workers, who are guaranteed partial and temporary replacement of wages (unemployment compensation, or UI benefits) if and when they become unemployed.

The system acts as an economic buffer in periods of high unemployment, with UI dollars helping to sustain consumer demand and supporting the economic security of working families when joblessness occurs.<sup>1</sup> In addition, strong UI programs protect jobless workers and impacted communities, and support worker participation in the economy by subsidizing employment searches during times of unemployment and reducing the risk of job loss.<sup>2</sup>

Today, with nearly 150,000 unemployed workers in Connecticut,<sup>3</sup> our state's UI system is an especially important support for working families. Nearly 50 percent of Connecticut's unemployed have been out of work for six months or more – the 5<sup>th</sup> highest rate of long-term unemployment in the country; the outlook is far worse for Latinos, African-Americans, and the least-educated.<sup>4</sup> And as more and more families edge towards economic insecurity, unemployment compensation is an increasingly important source of income. Indeed, in 2010, UI benefits kept an estimated 45,000 people out of poverty in Connecticut.<sup>5</sup> However, the UI trust fund is increasingly unstable, placing this crucial benefit in jeopardy at a time when working families can least afford it.

As Connecticut's unemployment insurance trust fund faced unprecedented demand during the recession, it began paying out benefits at a rate that far exceeded that at which employers were paying into the system – leading to the state Department of Labor to declare the fund insolvent in October of 2009. Since then, the state has had to borrow over \$800 million from the federal government just to stay current on legally-obligated UI payments. Although our situation is not unique – as many as 30 other states have had to borrow from the federal government to fund their UI systems<sup>6</sup> – it is critically important that the state take steps to restore solvency to the system while maintaining this critical work support for families across Connecticut.

This issue brief will be divided into three parts: First, it will provide an overview of how unemployment insurance is funded in Connecticut. Second, the report will trace the stability and solvency of Connecticut's UI trust fund over the course of the recession, and the costs of an insolvent system. Finally, after outlining two relevant policy reform efforts from other states, it will propose a series of common-sense modifications that could shore up Connecticut's UI system on firmer footing in the years ahead.

### Financing Unemployment Insurance in Connecticut

In Connecticut, as in much of the United States, the UI system is normally funded by employers who pay taxes to the Unemployment Compensation Trust Fund (hereafter, the "UI trust fund"). The amount a Connecticut employer pays in UI taxes consists of a percentage which is the sum of a) the individual employer's Experience Rate, calculated as a ratio of total benefit payments charged to the employer's account during the past three years relative to the total taxable wages paid by the employer during the same period, and b) the Fund Balance Tax. This rate varies yearly and is levied pursuant to a statutory requirement that the balance in the trust fund equal

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percent of the total wages paid to workers by contributing employers during the last fiscal year.<sup>7</sup> The Fund Balance Tax Rate stood at 1.4 percent in FY 2011. Figure 1 illustrates the formula used to calculate employer contributions in Connecticut.

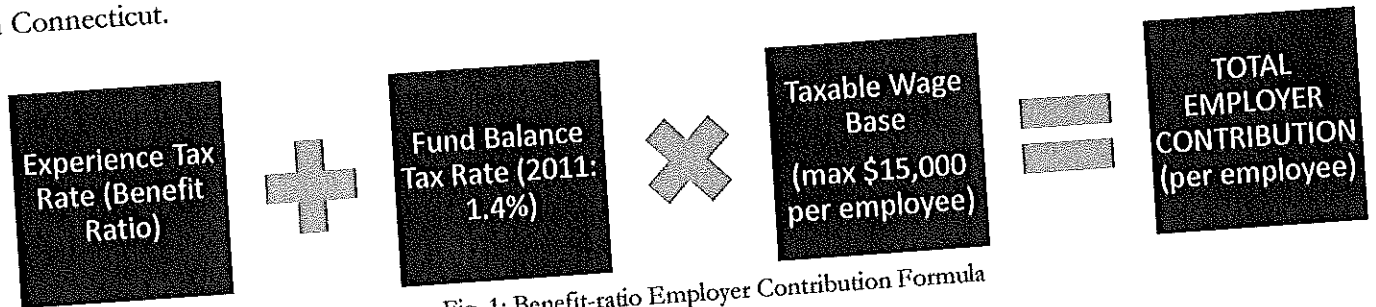


Fig. 1: Benefit-ratio Employer Contribution Formula

A key element of state UI financing mechanisms is the “taxable wage base,” or the amount of each employee’s wages that can be subjected to state unemployment taxes. In Connecticut, the taxable wage base is capped at \$15,000, and has been set at this amount since 1999.<sup>8</sup> As a result, the percentage of total wages subject to UI taxation has dropped (see Fig. 2) while wages covered by UI in Connecticut continued to climb. The ratio of taxable wages to total wages stood at 27.3 percent in the first quarter of 2001; by the first quarter of 2011, this ratio stood at 20.1 percent – a 26.3 percent decline over ten years. Over the same time period, total wages *increased* by nearly 25 percent.<sup>9</sup>

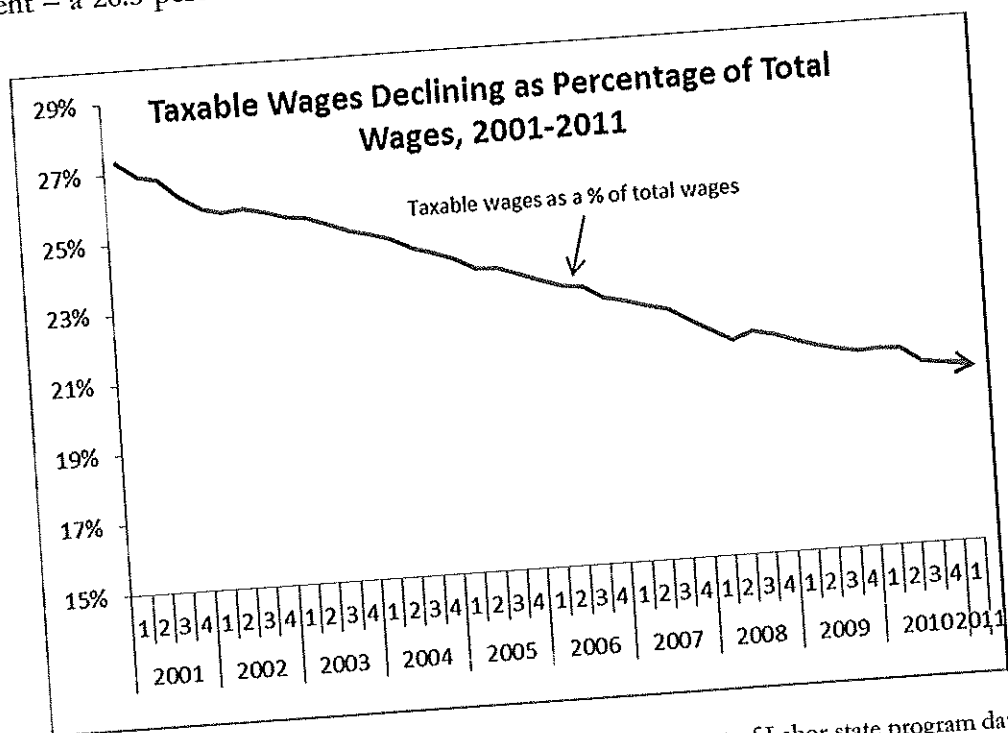


Fig. 2. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

Connecticut is one of 18 states in the country that utilize the “benefit-ratio” formula to determine employer contribution rates, shown in Figure 1 above as the “experience tax rate.” The benefit-ratio formula can be simply as **benefits charged divided by payroll**. The benefit-ratio system rests on the assumption that if employer pays a rate which approximates his benefit ratio – or, how much he “costs” the UI system relative to size of his payroll – the program will be adequately financed.<sup>10</sup>

## Measuring the Insolvency of Connecticut's UI Trust Fund

When unemployment spiked in Connecticut from 5.7 to 8.1 percent between 2008 and 2009, Connecticut's unemployment compensation trust fund, placed under an unprecedented degree of stress, began to pay out exponentially more in UI benefits than employers were paying in. On October 13, 2009, the trust fund was officially declared insolvent by the Connecticut Department of Labor.<sup>11</sup>

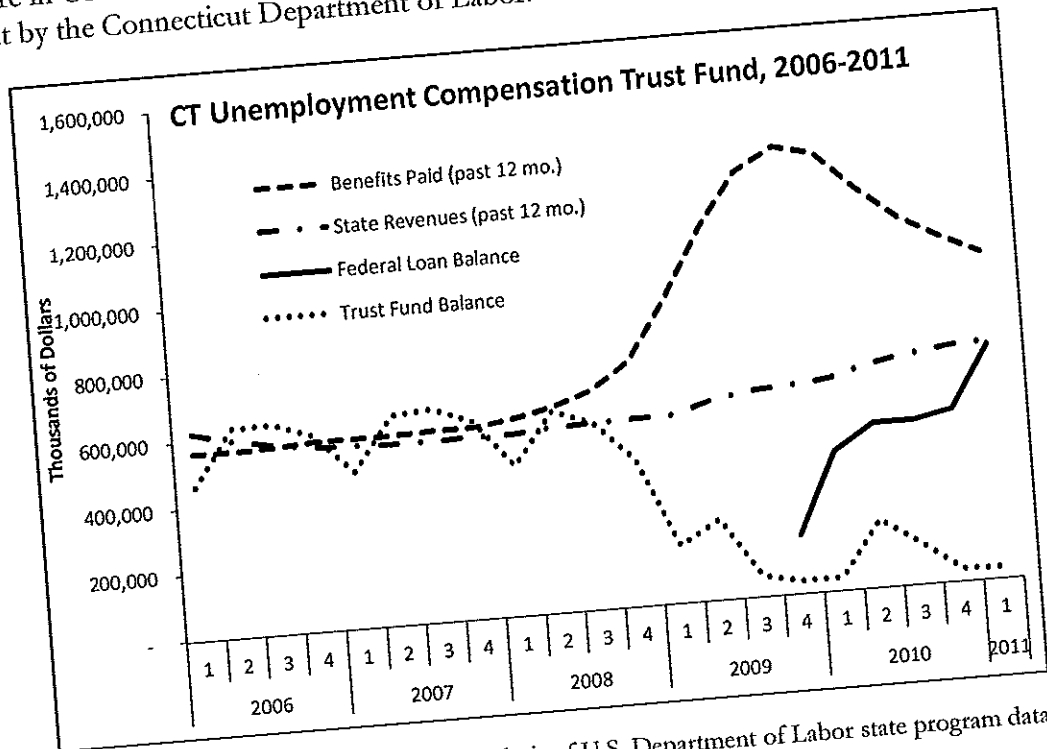


Fig. 3. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

As illustrated in the above chart, revenues and benefits were in general equilibrium through 2006, 2007, and the early part of 2008. Expenditures began to greatly outpace revenues in late 2008, leading to a draining of the trust fund reserves and the October 2009 insolvency declaration. In order to stay current on its legally-required unemployment compensation payments, Connecticut was forced to begin borrowing from the federal government and is now one of 27 states doing so.<sup>12</sup>

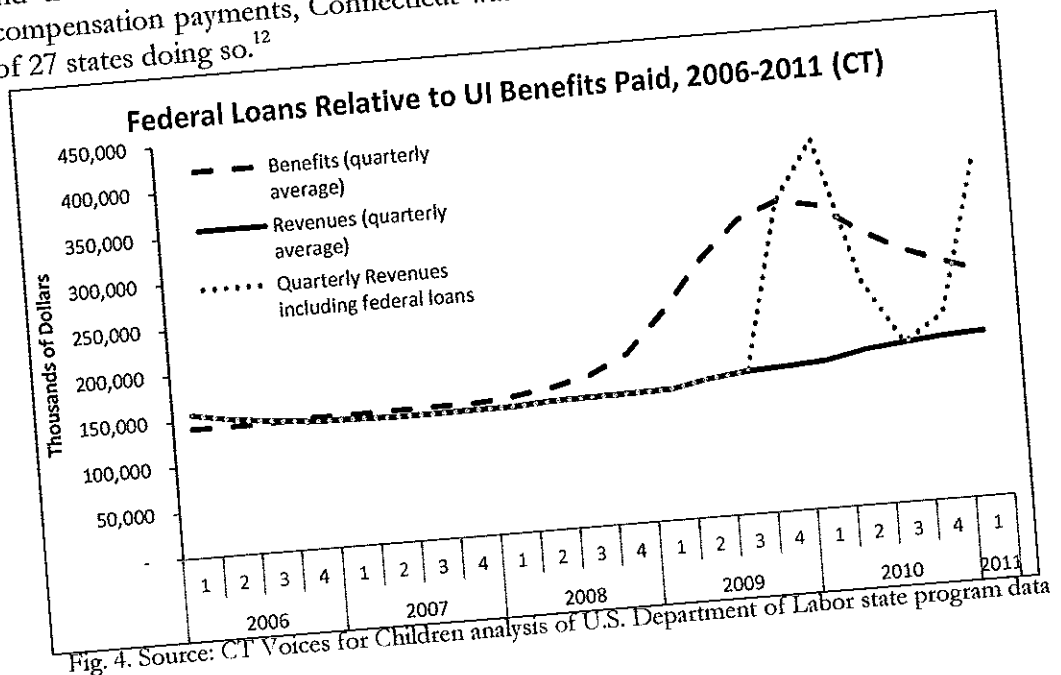


Fig. 4. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

Figure 4 more fully illustrates the critical role federal loans have played in shoring up Connecticut's unemployment compensation system. In the third quarter of 2011, Connecticut's unemployment compensation loan balance stood at \$809,876,000.<sup>13</sup>

#### *Costs of an Insolvent Unemployment Trust Fund*

The American Recovery and Reinvestment Act, known as ARRA, waived interest payments on Connecticut's federal loans until December 30, 2010, but since this date, interest has been accruing. According to the Connecticut Department of Labor, interest costs that came due on October 1, 2011 totaled approximately \$40 million. Starting on August 1, 2011, all tax-paying employers were billed for a "special assessment" solely to pay the costs of interest on federal borrowing (up to \$25.50 per employee).<sup>14</sup> In addition, Connecticut employers are subject to an increase in their Federal Unemployment Tax (FUTA) payments. Because Connecticut has had a loan balance on two consecutive January 1sts and is still borrowing, employers paid an additional \$21 per employee in FUTA taxes in 2011; employers will see this tax increase an additional \$21 per year until there has been substantial progress made towards restoring solvency.<sup>15</sup>

The following table reflects the CT Department of Labor's most recent projections for total interest costs and additional FUTA taxes into 2015<sup>16</sup>:

Year	Annual Interest Costs	Annual FUTA Credit Reductions <sup>17</sup>	Total Costs to Employers	Total Cost per Covered Employee <sup>18</sup>
2012	\$31 million	\$30 million	\$61 million	\$39
2013	\$25 million	\$60 million	\$85 million	\$54
2014	\$10 million	\$90 million	\$100 million	\$64
2015	\$0	\$120 million	\$120 million	\$77

#### **Turning Back the Clock: Trust Fund Solvency before the Recession**

There's little doubt that Connecticut's unemployment compensation system currently finds itself on historically shaky ground. However, in order to fully understand the root causes of the current crisis, it is necessary to take a look at the health of the trust fund in the run-up to the recession.

First, a brief explanation of the main measure of historical trust-fund solvency that will be utilized in this report - the "average high-cost multiple," hereafter abbreviated as the AHCM. A commonly-used measure of solvency, the AHCM uses past performance to assess the adequacy of current reserves by comparing trust-fund savings to historically high UI benefit payment levels in previous recessions.

Federal labor officials generally recommend that state trust funds maintain an AHCM of 1.0.<sup>19</sup> Trust funds with that level of savings that will ensure the state has enough money in the bank to pay one year of unemployment benefits during a recession of historically-average severity.<sup>20</sup> Similarly, a state with an AHCM of 0.5 would be expected to be able to pay UI benefits for 6 months during the same recession; at 0.25, 3 months, and so forth.

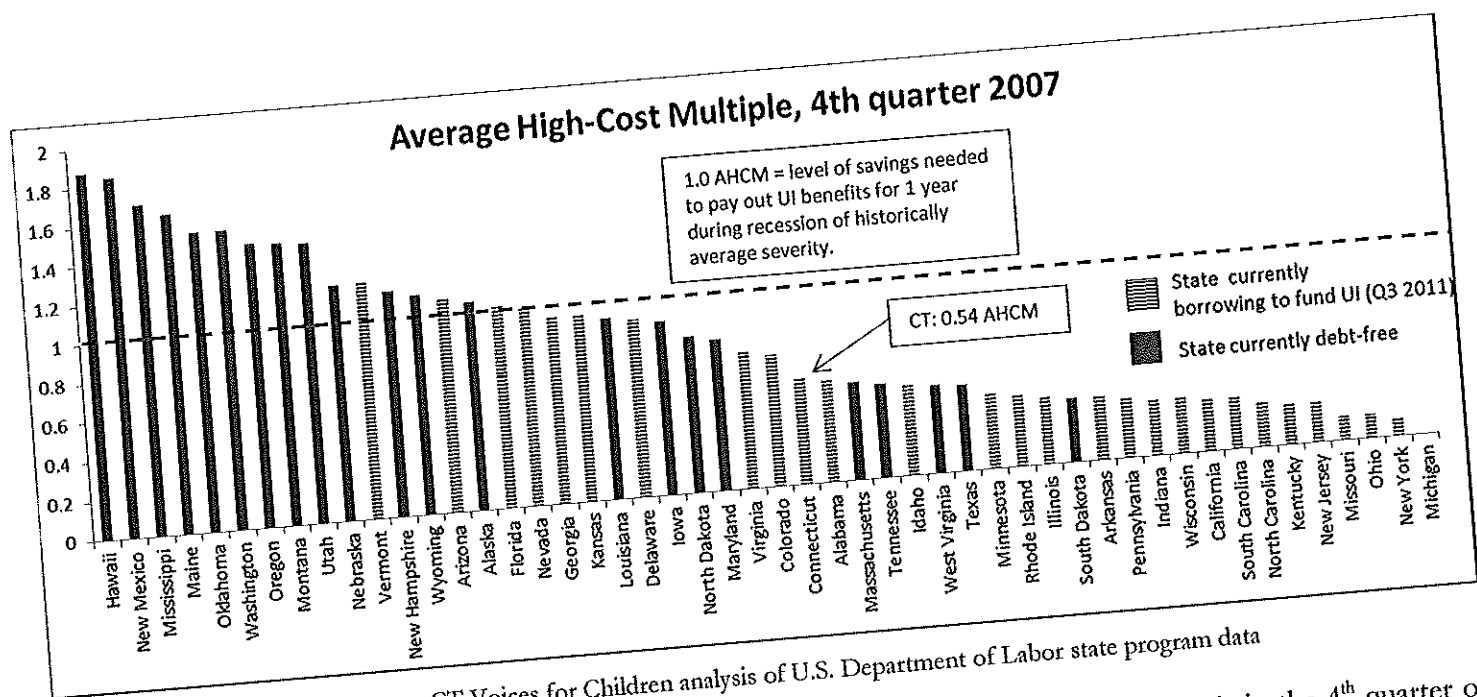


Fig. 5. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

Figure 5 illustrates the fiscal outlook for the 50 state unemployment compensation trust funds in the 4<sup>th</sup> quarter of 2007, just before the recession hit. All in all, only 17 states entered the recession with an average high-cost multiple at or above 1.0. This marks a sharp downturn in states' preparedness for this recession compared to past – and less severe – downturns. In 2000, for instance, some 30 state trust funds had an AHCM of 1.0 or greater; in 1989, 30 did.<sup>21</sup> On average, state trust funds had enough on hand to pay out about 9 months of UI benefits – an AHCM of 0.77. However, 22 states had AHCM of 0.5 or below – among these states, the average AHCM was 0.29, enough for only about 3 months of UI payments.<sup>22</sup> Of the 17 states that had an AHCM of 1.0 or greater during the 4<sup>th</sup> quarter of 2007, all but four were debt-free in the third quarter of 2011. And of these four states, three – Florida, Nevada, and Arizona – withstood the very worst of the foreclosure crisis.<sup>23</sup> In contrast, of the 33 states that entered the recession with less than a year's savings accumulated, 24 – Connecticut among them – have had to borrow from the federal government to stay current on UI payments.<sup>24</sup>

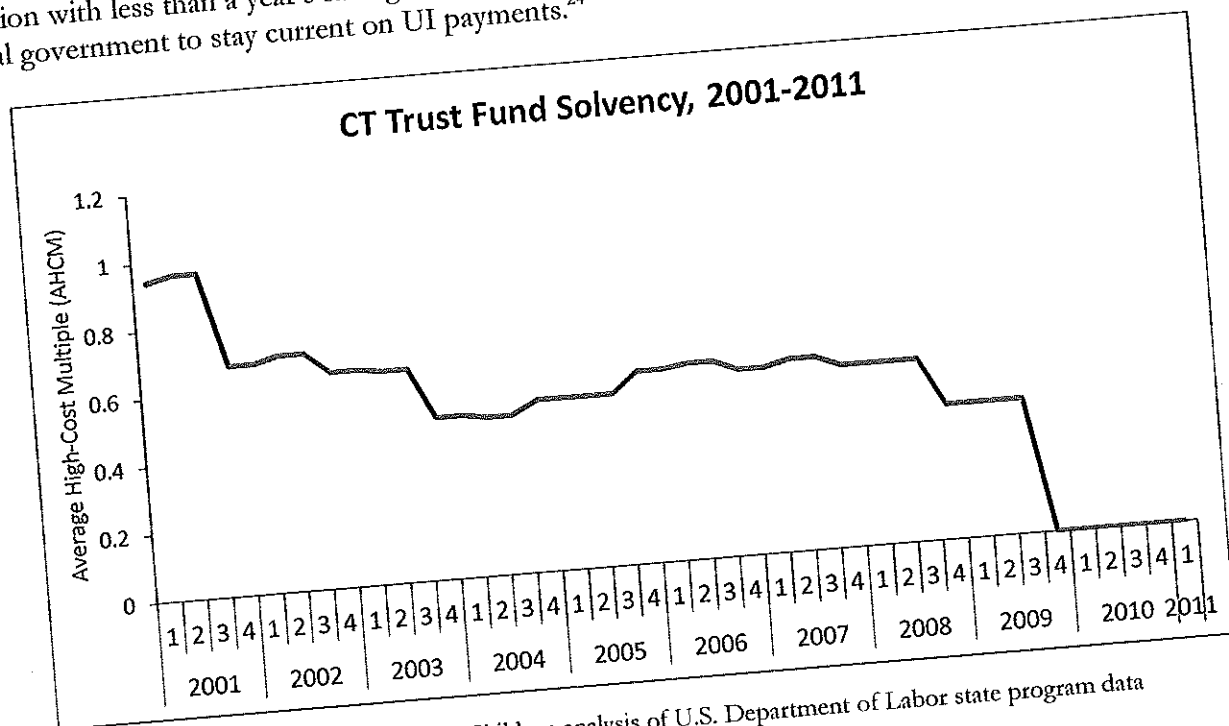


Fig. 6. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

On the eve of the Great Recession, Connecticut's trust fund stood at the middle of the pack relative to the 50 states – with an AHCM of 0.54 in the 4<sup>th</sup> quarter of 2007. However, since peaking at 0.96 AHCM in 2001, Connecticut's reserves steadily dwindled during the recession of the early 2000s and failed to return to this level even during the mid-decade boom years of 2004-2007 (see Fig. 6), thanks to slow job growth and inadequate financing mechanisms. The middle of the decade saw a sluggish labor market recovery in our state, with employment peaking in 2008 at a level that only slightly exceeded the previous highs registered in 2000. By comparison, the country as a whole entered the Great Recession having recovered three times the number of jobs lost in the early-decade downturn.<sup>25</sup>

Although the AHCM is a nationally-recognized and widely-used measure of trust fund solvency, the statutes governing Connecticut's UI system do not employ this metric. As mentioned above, the current goal for trust fund solvency is a balance equal to or greater than 0.8 percent of total wages paid by taxable employers in a given year,<sup>26</sup> and this ratio determines the fund balance tax rate component of the employer contribution (see Fig. 1 above).<sup>27</sup> The fund balance tax rate, capped at 1.4% of taxable wages, was the primary method the state used to recoup the trust fund balance and restore solvency during cyclical downturns through much of the previous decade (see Fig. 7) – a method that proved inadequate during the most recent recession.

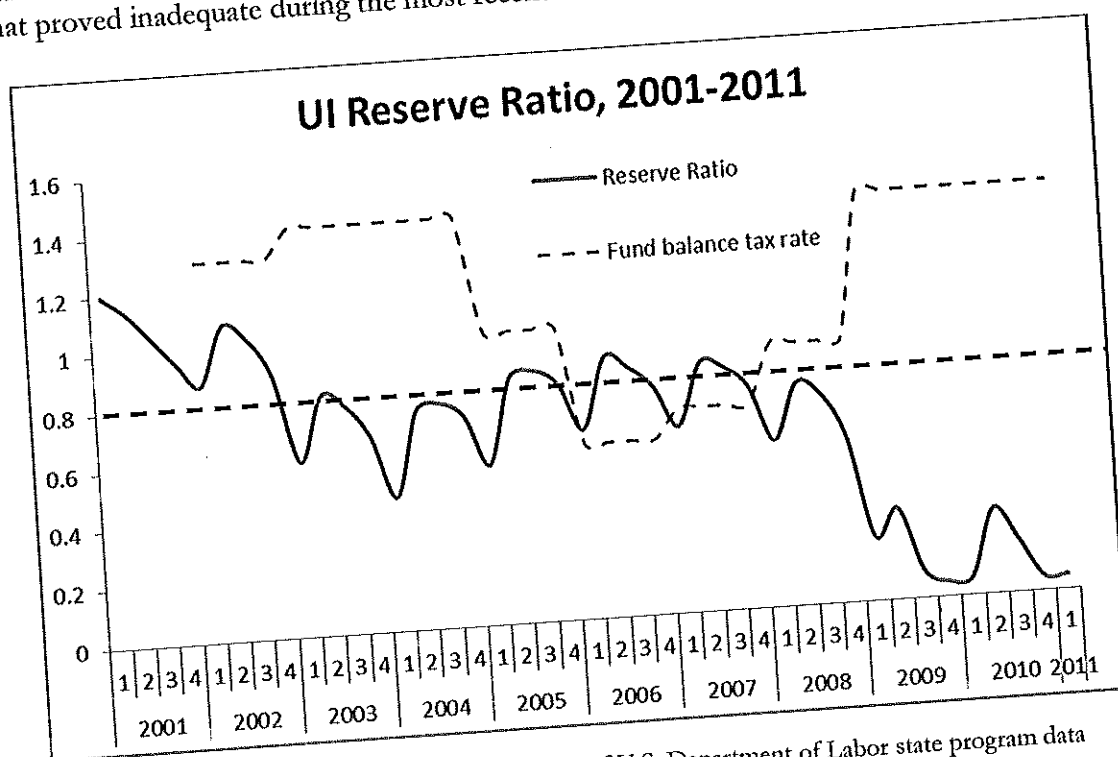


Fig. 7. Source: CT Voices for Children analysis of U.S. Department of Labor state program data

Taken as a whole, the current approach to UI financing in Connecticut ensured relative solvency from 2001 until the recession began to clamp down on the state's economy in 2008.<sup>28</sup> However, it is also apparent that Connecticut's UI system was unprepared for a downturn of the depth, severity, and duration of the recession of 2007-2009, and the stagnant labor market conditions that persist to this day. Through much of the preceding years, fluctuations in employment driven by the business cycle resulted in corresponding drops in the trust fund balance. But as demonstrated above, a retrospective analysis of key solvency measures calls into question the ability of Connecticut's UI system to withstand a large-scale, recession-related drawdown.



## Two States, Two Approaches to Stability: Rhode Island and Colorado

As noted above, some 30 states have had to borrow from the federal government to stay current on UI payments. And as interest payments come due on the federal loans, putting even greater strain on fiscal resources that are already stretched thin, policymakers in many of these states have placed a priority on system-wide reforms that are geared towards more sustainable trust-fund projections in the medium to long run.

Two states – Rhode Island and Colorado – have taken significant steps to address the long-term solvency of their UI trust funds through financing reforms. Like Connecticut, both states entered the recession unprepared to absorb the demand on UI reserves spurred by the recession.

Colorado's UI solvency measure, H.B. 11-1288, was introduced in the state legislature with bipartisan co-sponsorship. The law, based on a set of recommendations set forth by a working group convened by the state's Department of Labor, includes a series of adjustments and increases to employer premium rates, and importantly, both raises and indexes the state taxable wage base to reflect wage growth beginning in 2014.<sup>29</sup> The bill passed unanimously in both the House and Senate, and was backed by both the National Federation of Independent Businesses (NFIB) and the AFL-CIO.<sup>30</sup>

Aside from increasing the taxable wage base and indexing it to averages wages in the state, the Colorado bill creates a new fund balance tax rate schedule designed to generate more revenue during solvency and reduce the burden to employers during insolvency and puts in place a "premium credit" designed to reward employers with positive experience history (that is, those who have paid more into the system than they were charged in benefits).<sup>31</sup>

In Rhode Island, legislators paired a set of reforms to the state's UI financing mechanisms with a series of adjustments to benefit calculation and eligibility determination. Amid unusually high unemployment, projected fund insolvency until at least 2017, and a frozen taxable wage base, Article IV of the state's FY 2012 budget reflects the proposals of the Rhode Island Employment Security Advisory Council. Specifically, Article IV eliminates the current taxable wage base and replaces it with an adjustment based on the average annual wage that is phased in over three years. In addition, the bill raises the taxable wage base for the highest-rated employers to \$3,000 above the taxable wage base for all other employers.<sup>32</sup>

In addition, Rhode Island made a series of changes to benefit calculation and eligibility standards. However, unlike Connecticut, Rhode Island's UI benefits as compared to average wages are extremely generous – second-highest nationally in the third quarter of 2011.<sup>33</sup>

Altogether, the revenue adjustments contained in Rhode Island's solvency measure will result in about \$7 million new annual revenue, and will put the state on track to repay all outstanding federal UI loans by 2015. Further, when combined with the benefit and eligibility reforms also in the bill, these changes will create a UI trust fund reserve \$443 million by 2020.<sup>34</sup>

### Connecticut's SB 988

In 2010, a trust-fund solvency measure (Senate Bill 988, *An Act Concerning the Solvency of the Unemployment Compensation Trust Fund*) was introduced in the Connecticut General Assembly on behalf of the state Department of Labor. The bill would have changed the statutory reserve goal from 0.8 percent of total wages paid by tax-paying employers to an AHCM of 0.5, with this goal increasing by 0.1 percent each year from 2012 to 2018, when the goal AHCM reaches 1.0. The bill received bipartisan support in the state Senate, but was never brought to a vote in the House. While this bill would have taken the important step of increasing the state's fund solvency goal, it failed to increase the capacity of the state to raise additional funds to meet this new standard – and therefore would have alleviated the structural inadequacy of the current UI financing mechanism.

## The Road to Solvency: An Action Plan for Connecticut

On the whole, it is clear that Connecticut's UI trust fund is in need of swift and meaningful reforms. Historic, recession-driven unemployment drastically depleted the trust fund reserves, forcing the state to borrow from the federal government and increasing taxes on employers. Moreover, Connecticut's capacity to dig out of the current hole – and to prepare for the next recession – is limited at best. Without adjustments to the way UI is funded in our state, we will be just as unprepared for future economic downturns as we were for the current one.

Before proceeding with a set of recommendations to move Connecticut closer to solvency while protecting this critical work support, it is important to see where our system stands relative to the 50 states. By benchmarking our state across a series of relevant national indicators, we will be better-equipped to assess the systems strengths and weaknesses – and opportunities for improvement.

**Fig. 7: Benchmarking Connecticut's UI System**

\$15,000	State taxable wage base	19 <sup>th</sup>
0.96%	Employer tax rate on total wages	23 <sup>rd</sup>
\$1,020	Maximum contribution per employee	26 <sup>th</sup>
\$1,161	Average weekly wage	3 <sup>rd</sup>
28.1%	Avg. weekly benefit as percentage of avg. weekly wage	45 <sup>th</sup>

Source: CT Voices analysis of US Dept. of Labor state UI program data<sup>36</sup>

As illustrated in Fig. 7, Connecticut's UI-related taxes are middle-of-the-pack when stacked up against the 50 states. While Connecticut boasts the third-highest average weekly wage in the country, our taxable wage base – \$15,000 per employee – ranks 19<sup>th</sup> nationally. At 0.96 percent, employer-paid UI taxes as a percentage of total wages are 23<sup>rd</sup>-highest. And in Connecticut, the maximum employer contribution at the taxable wage base – \$1,020 per employee – is 26<sup>th</sup> highest nationally. By these measures, Connecticut's employers pay into the UI trust fund at an overwhelming average rate.<sup>37</sup>

In contrast, benefit levels in our state are comparatively low. In Connecticut, the average UI recipient only sees a little more than 28 percent of their previous wages replaced in UI benefits. This percentage, also known as the "replacement rate," is strikingly low; UI recipients in some 44 other states see their wages replaced at higher rates. In Rhode Island, for instance, the average weekly benefit amount in the second quarter of 2011 stood at 44.3 percent of the average weekly wage – second highest nationally.<sup>38</sup>

In this light, it is easy to see why Rhode Island enacted substantial benefit reforms as part of their UI solvency efforts, with an unemployment rate and benefit payouts that both far outpace national averages. However, analysis of Connecticut's UI system *in the context of the 50 states* leads us to the following conclusions:

- 1.) Employer-paid UI taxes in Connecticut are not aligned with the wages they are meant to replace.
- 2.) UI taxes in Connecticut are middle of the road, and therefore have room for modest expansions.
- 3.) UI benefits in Connecticut, when compared to average wages, are among the lowest in the country.

## Recommendations

Broadly speaking, policy actions regarding UI solvency should be twofold: First, immediate action should be taken to bolster trust fund reserves in the short term and reduce or eliminate the special assessment on employers currently needed to service the state's outstanding federal loans. Second, the state taxable wage base should be indexed to wages, bringing trust fund revenues into closer alignment with the state's economic situation and ensuring the trust fund is better prepared for future economic downturns.

Specifically, the state should consider the following changes to the UI system:

- I. **Establish a higher solvency goal of 1.0 AHCM**, phased in over five years. If implemented immediately, the AHCM would increase the state's reserve balance goal from \$600 million to about \$1.2 billion.<sup>39</sup> In the long run, the AHCM formula would better prepare the state for increased benefit payouts during future recessions.
- II. **Increase the taxable wage base**, and in the first year after solvency, **index the taxable wage base to average annual wage**. Last year, the Connecticut Department of Labor projected that increasing the taxable wage base to \$20,000 in 2012 and raising it in \$1,000 annual increments until maxing out at \$26,000 in 2018 would reduce interest costs by about \$40 million, and would eliminate some \$210 million in federal unemployment tax increases.<sup>40</sup> Seventeen other states currently index the taxable wage base – and of the sixteen that did so before the recession, more than two-thirds (eleven states in total) have avoided the need to borrow, and the associated costs to employers.<sup>41</sup>
- III. **For employers with the highest experience rating, establish a higher taxable wage base and increase the fund balance tax rate**. In Rhode Island, a similar proposal was expected to raise an additional \$3.1 million in annual revenue.<sup>42</sup>

In the early 1990s, Connecticut was faced with a similar UI insolvency crisis. The early-decade economic contraction resulted in a spike in those claiming UI benefits, draining the trust fund and forcing the state to borrow to cover payments to those out of work. In response to this crisis, Connecticut took steps to increase its taxable wage base—then only \$7,100—in increments, topping out in 1999 at the current \$15,000 level. However, this reform effort failed to make the permanent, structural changes to UI financing that would have helped us withstand the most severe economic crisis in a lifetime.

It is essential that Connecticut not fall short yet again. By linking employer contribution requirements to the rate of wage growth in Connecticut—something seventeen other states, including Rhode Island and New Jersey, currently do—the UI system would be funded at a rate that reflects the realities of our state's economy. Moreover, these common-sense reforms would reaffirm our commitment to a dependable, affordable UI system for all workers—not just those currently out of a job. Employers and state government must be equal partners in restoring solvency and stability to a work support that provides security to so many in Connecticut.

*Acknowledgements: Thanks to Sharon Langer, Senior Policy Fellow at CT Voices for Children, and George Wentworth, Senior Staff Attorney of the National Employment Law Project, for their contributions to this analysis.*

<sup>1</sup> Center on Budget and Policy Priorities, *Introduction to Unemployment Insurance*. April 2010.

<sup>2</sup> See: Howell, David and Azizoglu, Bert. *Unemployment Benefits and Work Incentives: The US Labor Market in the Great Recession*. Political Economy Research Institute Working Paper. May 2011.

<sup>3</sup> [http://www.peri.umass.edu/fileadmin/pdf/working\\_papers/working\\_papers\\_251-300/WP257\\_revised.pdf](http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP257_revised.pdf)

<sup>3</sup> <http://www1.ctdol.state.ct.us/lmi/unemploymentrate.asp>

<sup>4</sup> [http://ctkidslink.org/pub\\_detail\\_556.html](http://ctkidslink.org/pub_detail_556.html)

- <sup>5</sup> CT Voices analysis of U.S. Census Bureau Current Population Survey data.  
<sup>6</sup> [http://www.nelp.org/page/-/UI/2011/Unraveling\\_UI\\_Lifeline\\_Report.pdf](http://www.nelp.org/page/-/UI/2011/Unraveling_UI_Lifeline_Report.pdf)  
<sup>7</sup> Conn. Gen. Stat. 31-225a(f) <http://cga.ct.gov/2011/pub/chap567.htm#Sec31-225a.htm>  
<sup>8</sup> CT Department of Labor. <http://www.ctdol.state.ct.us/uitax/taxdiv.htm>  
<sup>9</sup> CT Voices for Children analysis of U.S. Department of Labor state program data. Total wage data not adjusted for inflation.  
<sup>10</sup> U.S. Department of Labor. *Comparison of State Unemployment Laws*. <http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2011/financing.pdf>  
<sup>11</sup> <http://www.ctdol.state.ct.us/uitax/SpecialAssessment/overview.htm>  
<sup>12</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf)  
<sup>13</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf) This loan balance does not include an additional \$88 million grant the state received in 2009 under the ARRA Unemployment Insurance Modernization Incentive program.  
<sup>14</sup> <http://www.ctdol.state.ct.us/uitax/SpecialAssessment/overview.htm>  
<sup>15</sup> <http://www.ctdol.state.ct.us/uitax/SpecialAssessment/FAQs.htm>  
<sup>16</sup> Email from Carl Guzzardi, UI Tax Director, Conn. Dept. of Labor., November 2011. Projections made out as far as 2015 may be subject to significant modification. This is especially true of unemployment trust fund projections (loan balance, interest costs, FUTA repayments) because they take into account dynamic variables such as the rate of unemployment, the growth in wages, the growth in labor force and borrowing rates.  
<sup>17</sup> Under current law, employers pay an additional federal UI tax of 6.2 percent on the first \$7,000 of a worker's wages. However, the law provides a credit against federal tax liability of up to 5.4 percent to employers who contribute in a timely fashion to state UI trust funds, reducing effective federal UI tax (FUTA) liability to 0.8 percent. Insolvent states are subject to reductions in FUTA credits, and employers are billed for this increased liability.  
<sup>18</sup> Based on Q3 2011 employment figures. Covered employment in this quarter stood at 1,565,000,000.  
<sup>19</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf)  
<sup>20</sup> *Federal Register*. Vol. 74, No. 121. "Federal-State Unemployment Compensation Program: Funding Goals for Interest-Free Loans." 65 FR 30402 (2009-6-25).  
<sup>21</sup> National Employment Law Project Briefing Paper, "Understanding the Unemployment Trust Fund Crisis of 2010." April 2010. <http://www.nelp.org/page/-/UI/solvencyupdate2010.pdf?nocdn=1>  
<sup>22</sup> National Employment Law Project Briefing Paper, "Understanding the Unemployment Trust Fund Crisis of 2010." April 2010. <http://www.nelp.org/page/-/UI/solvencyupdate2010.pdf?nocdn=1>  
<sup>23</sup> CT Voices analysis of U.S. Department of Labor state program financial data, 2007-2011. <http://workforcesecurity.doleta.gov/unemploy/content/data.asp>  
<sup>24</sup> <http://abcnews.go.com/Business/2010-record-29-million-foreclosures/story?id=12602271#.TxVSS6X2ZPw>  
<sup>25</sup> *Id.*, at 22 above.  
<sup>26</sup> <http://ctkidslink.org/publications/econ10sowctfull.pdf>  
<sup>27</sup> Conn. Gen. Stat. 31-225a(f) <http://cga.ct.gov/2011/pub/chap567.htm#Sec31-225a.htm>  
<sup>28</sup> *Id.*, at 8 above.  
<sup>29</sup> In Connecticut, the recession began and ended later than the national recession, spanning from March 2008 to January 2010.  
<sup>30</sup> Colorado House Bill 11-1288, *An Act Concerning Unemployment Insurance Solvency Reform*.  
<sup>31</sup> [http://www.leg.state.co.us/clics/clics2011a/csl.nsf/fsbillcont3/328AD84011835EC6872578410072D86D?open&file=1288\\_cnr.pdf](http://www.leg.state.co.us/clics/clics2011a/csl.nsf/fsbillcont3/328AD84011835EC6872578410072D86D?open&file=1288_cnr.pdf)  
<sup>32</sup> <http://blogs.denverpost.com/thespot/2011/04/07/move-over-youre-hogging-all-the-covers/27118/>  
<sup>33</sup> Colorado Office of Legislative Legal Services, Bill Summary for H.B. 11-1288. [http://www.state.co.us/gov\\_dir/leg\\_dir/olls/bills/summaries/HB1288.htm](http://www.state.co.us/gov_dir/leg_dir/olls/bills/summaries/HB1288.htm)  
<sup>34</sup> Senate Fiscal Office, Rhode Island General Assembly. FY2012 Budget Article Summaries. [http://www.rilin.state.ri.us/senatefinance/budget\\_analyses/fy2012/governor's%20fy2012%20budget%20-%20article%20summaries.pdf](http://www.rilin.state.ri.us/senatefinance/budget_analyses/fy2012/governor's%20fy2012%20budget%20-%20article%20summaries.pdf)  
<sup>35</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf)  
<sup>36</sup> Senate Fiscal Office, Rhode Island General Assembly. FY2012 Budget Article Summaries. [http://www.rilin.state.ri.us/senatefinance/budget\\_analyses/fy2012/governor's%20fy2012%20budget%20-%20article%20summaries.pdf](http://www.rilin.state.ri.us/senatefinance/budget_analyses/fy2012/governor's%20fy2012%20budget%20-%20article%20summaries.pdf)  
<sup>37</sup> Connecticut Senate Bill 988, *An Act Concerning the Solvency of the Unemployment Compensation Trust Fund*. [http://cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill\\_num=988&which\\_year=2011&SUBMIT1.x=0&SUBMIT1.y=0&SUBMIT1=Normal](http://cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=988&which_year=2011&SUBMIT1.x=0&SUBMIT1.y=0&SUBMIT1=Normal)  
<sup>38</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf)  
<sup>39</sup> U.S. Department of Labor, Office of Workforce Security. *Significant Measures of State Unemployment Insurance Tax Systems*. September 2011. <http://ows.doleta.gov/unemploy/pdf/sigmeasuixsys11.pdf>  
<sup>40</sup> [http://ows.doleta.gov/unemploy/content/data\\_stats/datasum11/DataSum\\_2011\\_3.pdf](http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf)  
<sup>41</sup> Carl Guzzardi, UI Tax Director, Conn. Dept. of Labor. Presentation to the Connecticut General Assembly Labor and Public Employees Committee, February 2011.  
<sup>42</sup> *Id.*

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<sup>41</sup>Rhode Island, the seventeenth state to index the taxable wage base, did so in response to the recession and is therefore excluded from this calculation. See: <http://www.nelp.org/page/-/UI/StateSolvencyStrategies.pdf?nocdn=1?nocdn=1>

<sup>42</sup> *Id.*, at 32 above.